

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7298

BILL NUMBER: HB 1249

NOTE PREPARED: Jan 29, 2004

BILL AMENDED: Jan 29, 2004

SUBJECT: Pension Payments to Former Spouses.

FIRST AUTHOR: Rep. Cheney

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes a qualified domestic relations order (QDRO) applicable to public employee retirement funds. The bill requires public pension funds to pay a QDRO. The bill also provides immunity for a public pension fund that makes certain payments in connection with a QDRO.

Effective Date: July 1, 2004.

Explanation of State Expenditures: This bill requires public pension funds to pay a qualified domestic relations order. A QDRO is a domestic relations order that creates or recognizes the existence of an "alternate payee's" right to receive, or assigns to an alternate payee the right to receive, all or a portion of the benefits payable with respect to a participant under a pension plan. To be recognized as a QDRO, an order must be a "domestic relations order," which is a judgment, decree, or order (including the approval of a property settlement) that is made pursuant to state domestic relations law (including community property law) that relates to the provision of child support, alimony payments, or marital property rights for the benefit of a spouse, former spouse, child, or other dependent of a participant.

This bill affects the following pension plans: the Public Employees' Retirement Fund (PERF), the 1977 Police Officers' and Firefighters' Disability Fund, the Defined Benefit Fund and the Defined Contribution Plan of the Legislators' Retirement System, the 1977 Judges' Retirement System, the 1985 Judges' Retirement System, the Prosecuting Attorneys' Retirement Fund, and the State Excise and Conservation Officers' Retirement Fund, all administered by PERF. PERF reports that there likely would be implementation costs consisting of computer and programming changes. The specific impact is indeterminable.

The Teachers' Retirement Fund (TRF) also reports that there likely would be increased costs associated with computer and programming changes. The funds affected for PERF and TRF are the nonbudget administrative

funds for both.

The State Police report that there would be no increase in their expenditures to implement this proposal. Funds affected are the state General Fund and the Motor Vehicle Highway Account, both of which support the State Police Benefit System equally.

The Former Governors' and Surviving Spouses' Pension Plan also is affected by this proposal. This is a very small fund currently providing annual benefits to only three former governors. This proposal should have little if any, impact on this plan. The fund affected is the state General Fund.

Background Information: P.L. 119-2000 provides that both PERF and TRF are independent bodies corporate and politic. As a result, the funds pay their own administrative expenses and are not subject to review by the State Department of Personnel or the State Budget Agency. Both PERF and TRF operate from revenues generated from their investment income. The Boards of Trustees of PERF and TRF determine staffing levels and expenditure levels.

Explanation of State Revenues:

Explanation of Local Expenditures: The 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, the 1953 Police Pension Fund, and various county sheriff plans are all affected by this proposal and are administered at the city, town, and county level. The City of Indianapolis reported that it should be able to implement this proposal within current expenditures; a system is already in place to process similar requirements pertaining to child support.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; Teachers' Retirement Fund; State Police Benefit System; Auditor's Office as administrator of the Former Governors' and Surviving Spouses' Pension Plan.

Local Agencies Affected: Those units with members in the various funds administered at the local level.

Information Sources: Mike Horstman, PERF, 234-2075; Tom Abbett, TRF 232-3826; Delight Morgan, Accounts Payable, City of Indianapolis; Steve Hillman, Indiana State Police, 232-5899.; U.S. Department of Labor Web page for definition of QDRO.

Fiscal Analyst: James Sperlik, 317-232-9866.